OCTOBER 11, 1995

AT&T NEWS

AGGRESSIVE TIMETABLE SET FOR RESTRUCTURING

Now It's Full Speed Ahead

BY ED LOPEZ

AT&T will press forward swiftly and fairly to ensure that the three new companies created by the breakup enter the marketplace in healthy condition and that employee uncertainty and worry is minimal, Chairman Bob Allen told employees in a worldwide broadcast, Sept. 28.

DURING THE BROADCAST Allen said certain "rules of the road" will guide the breakup and that the ever-pressing employee question of employment status will be answered as soon as possible (see "Rules of the Road," page 5).

"Our overall approach to staffing and redeployment in general will be to identify and recruit the best skilled and most competitive people into the new entities..."

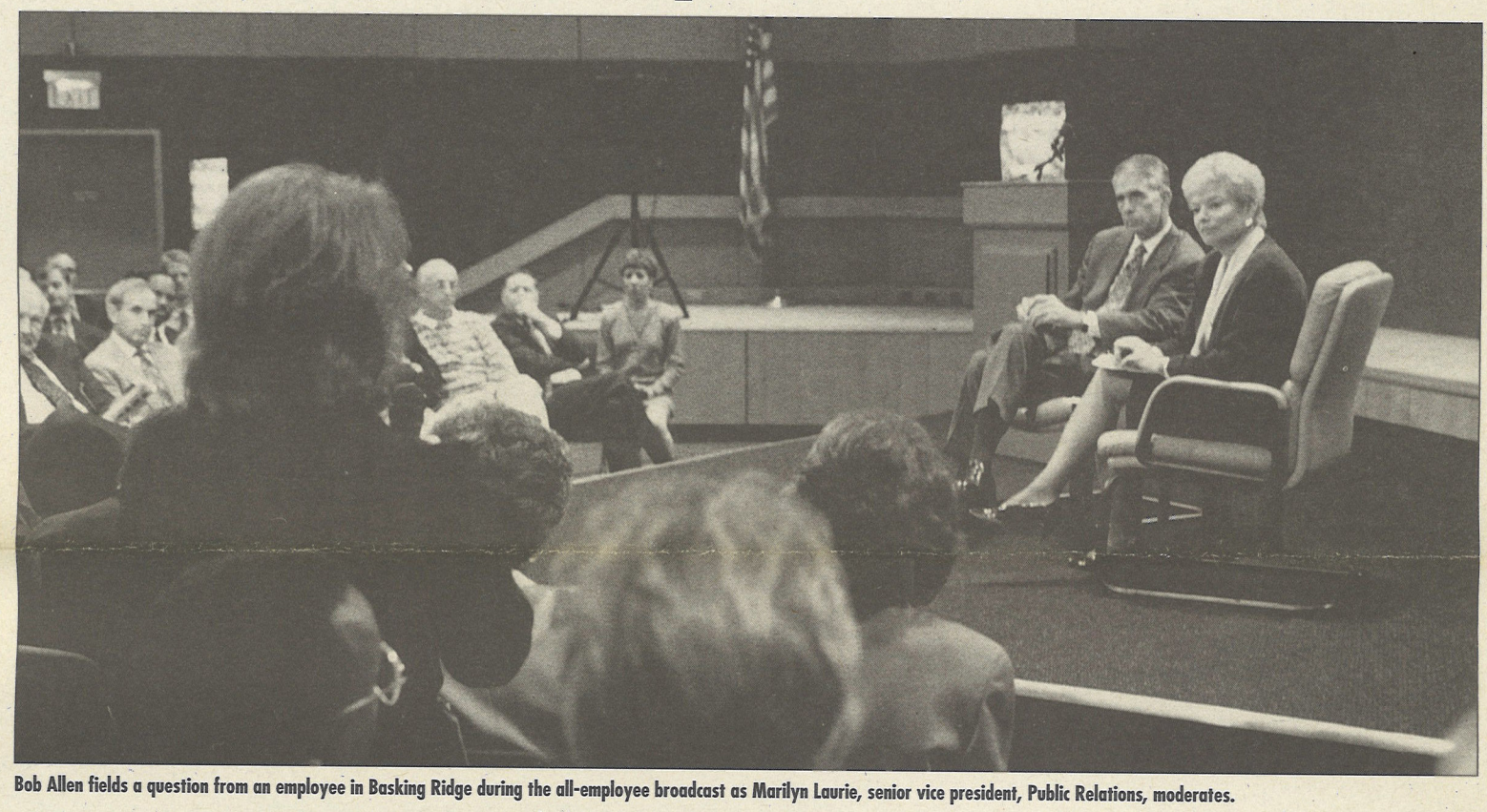
—Hal Burlingame

"Our goal is to let all of you know what this restructuring means to you personally by no later than early next year, hopefully in January—and most of you will probably know sooner than that," Allen said.

Employees were told that pensions are safe and that the company does not foresee any material change in medical and dental benefits when the new companies are launched on Jan. 1, 1997. Portability of service and benefits among companies, akin to the 1984 divestiture, may be possible, although for a limited time.

Hal Burlingame, senior vice

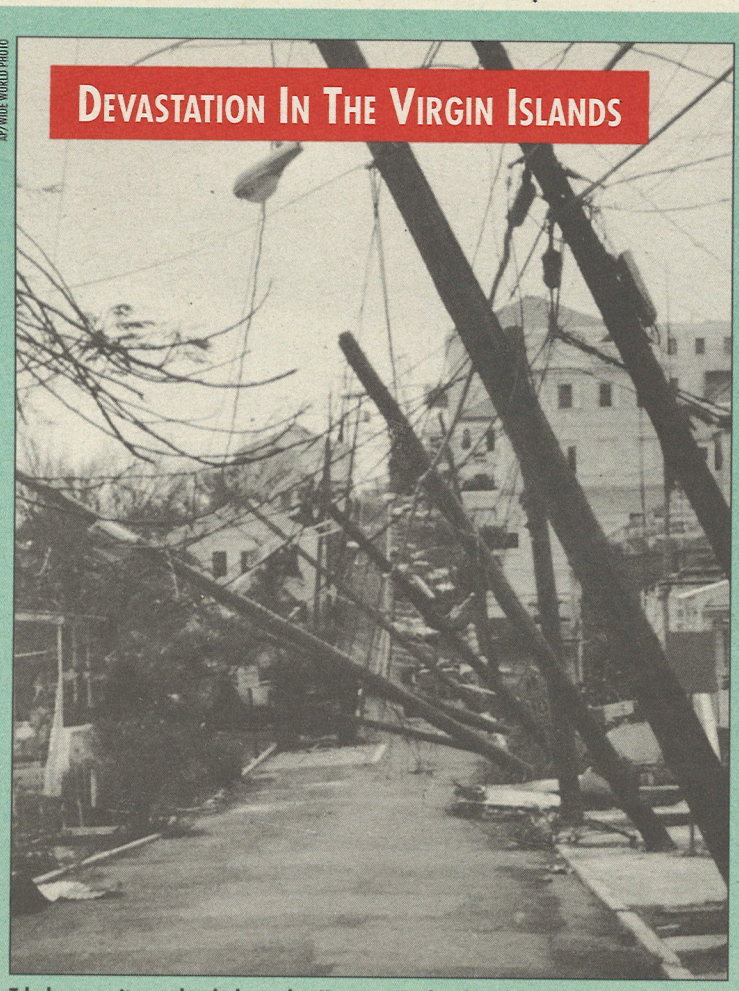
—See FAIRNESS, page 4



FELIX BRYANT/AT&T MEDIA SERVICES

Bob Allen fields a question from an employee in Basking Ridge during the all-employee broadcast as Marilyn Laurie, senior vice president, Public Relations, moderates.

DEVASTATION IN THE VIRGIN ISLANDS



AP/WIDE WORLD PHOTO

Telephone service was knocked out when Hurricane Marilyn plowed through St. Thomas.

Employees Send Help After Hurricane Hits

BY SUZANNE SIDHU

THE WORST OF HURRICANE MARILYN BROUGHT OUT the best in AT&T employees last month as people from several business units banded together to help the 52 employees of AT&T Virgin Islands (AT&T-VI) after the storm flattened nearly 80 percent of the island of St. Thomas and 20 percent of St. Croix. Though employee injuries were minor, many of their homes were lost or damaged, and long-distance telephone service was knocked out for several days.

With winds gusting above 180 mph, the storm hit Friday night, Sept. 15, and raged into Saturday, ripping a microwave-radio dish antenna from atop an AT&T facility in Charlotte Amalie, St. Thomas. Because the dish transmits the signals of almost all Virgin Islands long-distance traffic to the AT&T cable station, the entire territory was isolated except for the station. There, the underseas fiber-optic cable systems linking North and South America, the Caribbean, Mexico and Southern Europe, operated normally.

Upon learning of the damaged dish, a Network Services Division (NSD) disaster recovery team began collecting equipment and gear to restore service, loading it on a chartered airplane in Chicago. The plane landed on Sunday, after stopping in Baltimore to pick up more radio equipment and in Jacksonville, Fla., for relief supplies for the AT&T employees and their families.

Those supplies were donated by Universal Card Services' (UCS) Disaster Recovery Warehouse in Jacksonville. UCS loaded

—See RELIEF, page 7

AROUND AT&T

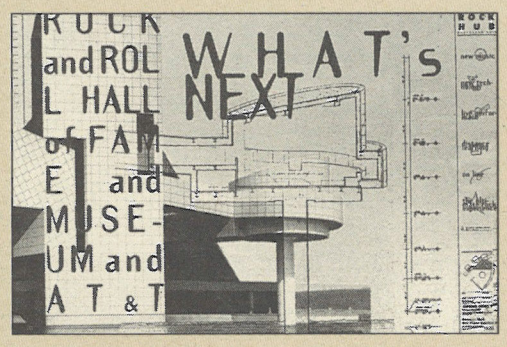
LATINPASS OFFER

As part of its *AT&T True Rewards* program, Consumer Communications Services is announcing the LatinPass frequent flyer program whereby AT&T customers who fly to Latin America now can earn miles on any one of the 15 member airlines in the LatinPass frequent traveler program. Customers enrolled in the LatinPass program can earn five frequent traveler miles for every dollar of AT&T long-distance calls they make, with the miles accumulated into a single account for use on any of the LatinPass member airlines. LatinPass member airlines are headquartered in Latin America and the Caribbean. Also affiliated with LatinPass are USAir, Avis, Hertz and Diners Club International. To talk with a bilingual representative, call 800-821-1161.

COMMUNICATIONS SERVICES GROUP

ROCK AND ROLL HALL OF FAME

Communications Services Group is sponsoring a 4,000-square-foot wing in the Rock and Roll Hall of Fame and Museum in Cleveland that will display AT&T's technological contributions to the music and entertainment industries. AT&T Bell Laboratories' inventions, such as the transistor, LP recording techniques, stereo, microphones and the laser, have had a significant impact on rock and roll, making it accessible worldwide. Slated to open in spring 1997, the wing will be designed with the help of leading technology, media and exhibition companies, and with the input of recording artists, music engineers and other recording industry professionals. AT&T also is collaborating with Penn State University on developing a rock and roll curriculum and the museum's home page on the World Wide Web. Through a special promotion, AT&T helped build the museum's national membership by offering consumers a discounted membership package. In addition, AT&T *True Rewards* members can redeem points for a single or family membership by calling 800-869-9900.



SKYNET Satellite Services has successfully launched Telstar 402R communications satellite into space from the Arianespace launch facility in French Guiana. Telstar 402R, one of the most powerful, advanced commercial communications satellites ever built, replaces the satellite that was lost in 1994. It will be turned up for service by Dec. 1 from an orbit of 22,300 miles above the Earth's equator, and is expected to provide service for the next 12 years.

BUSINESS COMMUNICATIONS SERVICES

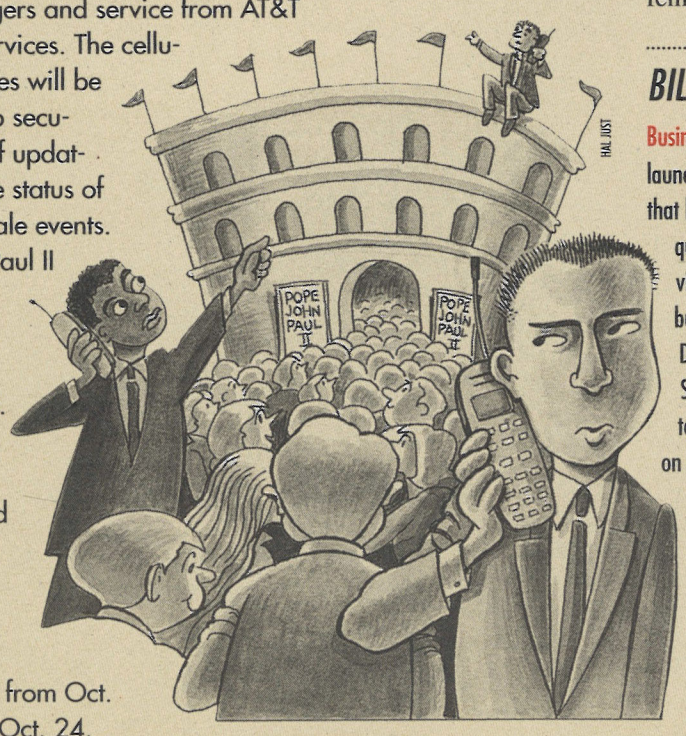
INSTANT IMAGING

Business Communications Services, Perot Systems and BRIT Systems have teamed up to show the power of today's multimedia technologies with a demonstration of a medical imaging software application over Asynchronous Transfer Mode (ATM) service. The six-month demonstration, which began at the AT&T location in the Dallas Infomart, uses real-life medical scenarios to illustrate the various uses for ATM in the medical industry. The application software developed by BRIT Systems transmits video and medical images to and from the University of Texas Southwestern Medical Center, the Dallas Infomart and Perot locations using AT&T's *InterSpan* ATM service. The application allows doctors, scientists and other specialists to collaborate on diagnoses, designs and analyses from remote locations.

PCS FOR BEGINNERS Network Systems Group (NSG) has introduced an economical, smaller version of its personal communications services (PCS) switching center. The Compact PCS Switching Center is especially tailored to the needs of entry-level PCS providers. The switching center is based on NSG's *5ESS* -2000 Switching System, and is available in two versions: the 5ESS-2000 Compact Digital Exchange and the Very Compact Digital Exchange. The switching center will be available the first quarter of 1996.

PAPAL PROTECTION

Wireless Services is providing 650 cellular telephones and service to the U.S. Secret Service to support communications for the papal visit to the New York area and the United Nations' 50th Anniversary celebration in October. The New York and Brooklyn Archdioceses also are using more than 55 donated cellular telephones, pagers and service from AT&T Wireless Services. The cellular telephones will be used to keep security and staff updated about the status of the large-scale events. Pope John Paul II visited the area from Oct. 4 through Oct. 8. The members of the United Nations will commemorate the U.N.'s 50th anniversary from Oct. 21 through Oct. 24.



DIGITAL WIRELESS LEADER

Network Systems Group's (NSG) new technology for wireless standards—an eight kilobit-per-second variable rate digital voice encoder—was rated best in wireless sound quality by the Telecommunications Industry Association's Engineering Committee. The rating bolsters NSG's reputation as a leader in digital wireless voice quality. Voice encoders compress and transmit voice signals over wireless networks. NSG's new voice encoding scheme significantly improves the sound quality available to wireless systems based on the CDMA (Code Division Multiple Access) technology. The encoding scheme was rated best in clarity in the presence of background noise and best in balance between male and female voice quality.

BILLING EDGE

Business Communications Services has launched a billing offer, at no extra charge, that lets its largest 800-services customers quickly analyze and use their 800-services billing information to improve business results. AT&T *Billing Edge* Desktop Analysis Software for 800 Services gives AT&T 800-services customers their monthly billing information on a CD-ROM that includes Windows™-based software and tips from other customers. By analyzing calling patterns and performance, customers can compare the efficiency of their call centers and reduce telecommunications costs. For more information, call 800-557-BILL (2455).

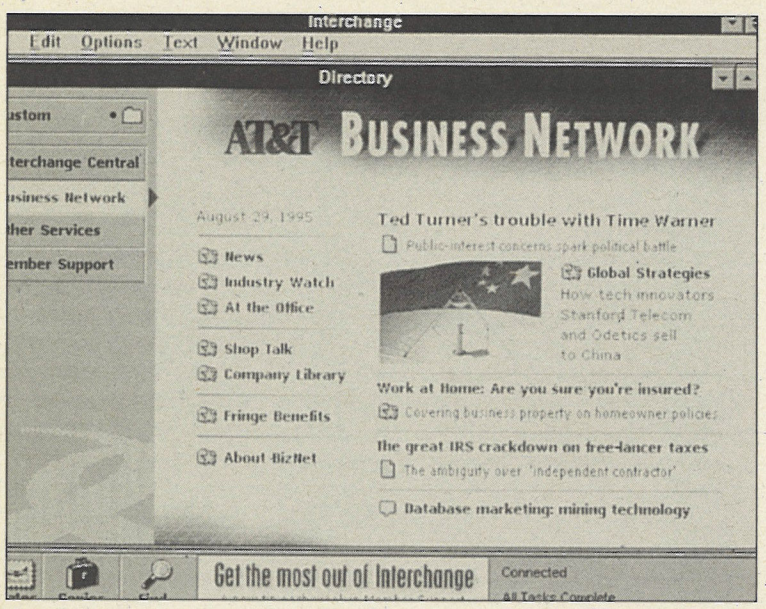
EARN TECHCREDITS

Consumers can help bring the latest technology to their communities' schools through a pilot program sponsored by the Computer Learning Foundation and AT&T. The "Technology for Education Program—A Community Partnership" enables consumers across the country to direct points—called TechCredits—to any accredited public, private or parochial school (K through 12) in the participating pilot states. Those states include California, Connecticut, Florida, Massachusetts, North Carolina, Ohio, Rhode Island and South Carolina. The schools can apply TechCredits toward free classroom computers, software and other technology products. Consumers can help schools accumulate TechCredits in four ways—by using AT&T long-distance service, by redeeming AT&T *True Rewards* points for TechCredits, by purchasing AT&T *Globalyst* Series 100 notebook computers or AT&T Globalyst 300 Series TelePC desktop computers; or by making purchases at AT&T Phone Centers. AT&T residential long-distance customers living outside the pilot states can participate. To register for the program, call 800-272-0600.

MICROELECTRONICS

PEACE-OF-MIND PROCESSOR

Microelectronics has introduced the first commercially available digital signal processor (DSP) specifically designed for narrowband Personal Communications Services (PCS) devices. With PCS networks being built across the country, equipment manufacturers are racing to develop the ideal portable two-way messaging devices to send and receive narrowband PCS signals. Microelectronic's *POMP* DSP1615, or the "Peace of Mind Processor," addresses the requirements of equipment manufacturers for a low-cost programmable processor that allows flexible product design and low-power consumption. AT&T Microelectronics also has introduced a microchip set that allows users of Token-Ring local area networks to upgrade their networks from 16 megabits-per-second to 100 megabits-per-second. The chip set, called the second-generation *Regatta100* chip set, was unveiled last month at the Networld+Interop trade show.



The AT&T Business Network, much more than an on-line service, promises to be the next-generation business tool.

BCS Launches On-Line Information Service

BY PAT RUSSO

ENTREPRENEURS AND PROfessionals searching the Internet for important business data soon can avoid endless hours of on-line rummaging, thanks to AT&T Business Network. The fall introduction of this new on-line service is the industry's first combination of business information and financial news, productivity-enhancing services, reference databases, and a next-generation on-line network that includes integrated access to the Internet.

The service also is the first AT&T-branded content offering from AT&T New Media Services, a new unit of AT&T Business Communications Services (BCS) announced Sept. 19. Based in Cambridge, Mass., the unit is part of the company's three-pronged thrust into on-line services and the Internet, which includes: AT&T *WorldNet* Services, Hosting and Transaction services, and Content services (see "CSG Plans To Make the Internet as Easy To Use as the Telephone").

Delivering on the Strategy

"Content services is a critical piece of AT&T's strategic on-line initiative," said BCS President John Petrillo. "AT&T New Media Services will play an important role in delivering on this strategy, and AT&T is putting considerable resources behind this unit."

With its emphasis on content, BCS also is forming a unit in New Jersey, charging it with the creation of AT&T-branded information primarily targeted at the personal and family markets. The new service will be hosted by Interchange On-Line Network—a next-generation publishing platform acquired from Ziff Communications Co. in December 1994.

AT&T Business Network targets the business and professional markets, where AT&T has a customer base of more than 10 million businesses. Research reveals these customers want flexible, on-line tools and information services that provide them with a competitive edge.

"Before today, business professionals going on line to get authoritative and complete business information had to patch it together from many different sources," said Michael Kolowich, president, AT&T New Media Services. "We've put the industry's top sources of business information, plus related Internet resources, in one place."

A Wealth of Information

The launch plans call for content from more than 20 leading publishers, including Cowles Business Media, Dow Jones & Company, Dun & Bradstreet Information Services, Nightly Business Report and TRW Business Information Services. The service presents and organizes this wealth of information in ways that make it easy for users to find what interests them.

In addition, AT&T Business Network provides links to related information on the World Wide Web, thus supplementing and enriching its own content.

Subscribers to AT&T Business Network get 10 hours of connect time for $39.95 per month; each additional hour costs $2.95. The monthly fee includes the Netscape Navigator software, e-mail services, and integrated links to the Internet and the World Wide Web. Orders received before Dec. 1, 1995, are eligible for special pricing of $24.95 per month through June 30, 1996. Other special offers are being planned.

To join, or get information about AT&T Business Network, call 800-660-2299, or visit the AT&T Interchange Web site at http://www.ichange.com. ■

CSG Plans To Make the Internet As Easy To Use as the Telephone

BY COLLINS YEARWOOD

AT&T plans to make using the vaunted Internet, with its Webs, URLs, gophers and FTPs, as easy as making a phone call to your local pizza shop and as viable and broadly accepted as toll-free 800 services are today.

"WE INTEND TO TAKE THE Internet from the realm of the high-tech pioneers to the world of everyday use," said Alex Mandl, executive vice president and CEO, AT&T Communications Services Group (CSG).

AT&T unveiled its strategy this summer—laying out a comprehensive approach to on-line services built on the standards of the Internet. New services and offers have followed at a furious clip.

"We have the technological know-how to help customers put an electronic version of their sales catalog on the Internet and make it interactive and secure."

—Alex Mandl

Although the Internet began in an academic environment as a link between colleges, universities and research organizations, it has been transformed by the invention of specialized user software, called browsers, and the creation of a network of multimedia servers called the World Wide Web. The Internet is gaining huge popularity as the hub of the Information Superhighway—an open, standard environment in cyberspace.

AT&T plans to bring together its 90 million customers in a new way—creating a new way of communicating through the Internet. Soon, the proverbial town square in which people meet to chat, browse and shop will be a few keyboard clicks away and, in this case, the entire country and much of the world will be found there as well.

AT&T will help its customers do business on the Internet by working with them to develop electronic sales applications and to host content services.

"We have the technological know-how to help customers put an electronic version of their sales catalog on the Internet and make it interactive and secure," said Mandl.

Eliminating Barriers

Still, it's a tricky matter to lure the average person onto the Internet. Research shows that people say there are four barriers to using the Internet: It's too hard to get on, it's too hard to find things, it's not easy to get started and it's not secure.

By embracing Internet standards as the foundation for an open on-line business, AT&T aims to expand the market for the Internet. The strategy is to make it easier for consumers to get on line while luring in merchants and retailers who have been hesitant to create a presence on the Internet.

AT&T's approach has another significant difference. Most existing on-line businesses are vertically integrated and built on closed proprietary platforms. AT&T, however, is developing the three different aspects of on-line businesses, access, hosting, and content as independent organizations flexible enough to serve a broad array of customer requirements.

Gateway Services, led by Tom Evslin, is bringing to market a range of Internet access offers called AT&T *WorldNet* Services. These services will give customers superior, easy-to-use dial-up and dedicated Internet access with powerful navigational tools and information directories whether they are at home, in the office or on the road.

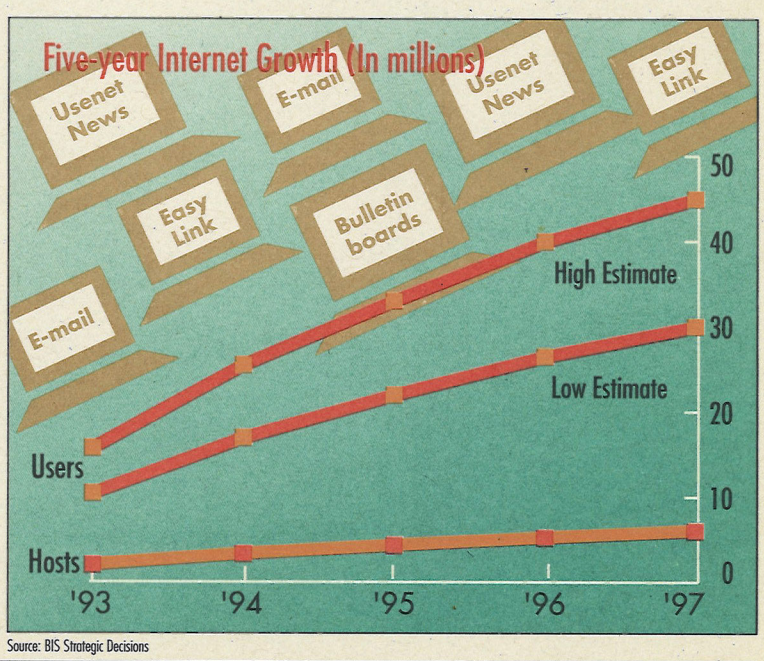
AT&T has formed a relationship with BBN-Planet, a subsidiary of Bolt Beraneck & Newman, to provide high-speed Internet access to business users. A number of other leaders in the Internet industry will be working with the Gateway team to develop WorldNet services: Netscape, a leading provider of Internet browsers; Osborne Corp., for Internet Yellow Pages; McKinley Inc., a leading database provider, for a world-class Internet resource directory; and Verity Corp., for software to search both directories and the Internet. CSG also is cooperating with McKinley and Adobe for leading-edge graphics software.

WorldNet Managed Internet Service for businesses is available now. The dial-up service is beginning beta tests and will be available in 1996.

AT&T's hosting and transaction business will be led by Kathleen Earley. The new business will be organized around and integrated with AT&T's value-added messaging business—EasyLink Services. Earley's team will be rolling out more detailed information in the coming months.

The content businesses have two major initiatives focused on different aspects of the market. The content-aggregation businesses are Consumer Content Services led by Caroline Vanderlip and New Media Services led by Michael Kolowich, which includes the Interchange Online Network and the AT&T Business Network (see related story on this page).

The future for AT&T's online offerings look bright from the start. Leading analysts predict success and rapid growth for AT&T's effort. ■



Source: BIS Strategic Decisions

Allen Sets Expectations For the Months Ahead

By Paul LaPlante

Speaking to a group of company leaders who assembled for the first time in nearly a decade, Chairman Bob Allen set the tone for the mammoth restructuring that lies ahead and made his views clear about doing what's right by employees in the process.

"THIS IS AT&T, NOT DODGE City," Allen stated emphatically. "Gunslingers aren't welcome during the transition, or any other time."

Allen's remarks outlined his expectations of how the people of AT&T will treat each other throughout the transition period, and beyond.

He underscored that building the three companies that will emerge for the future is the primary task at hand.

Allen spoke at a half-day meeting, open to all AT&T officers and directors, held one week to the day after the announcement. The company's senior leaders were gathered to explore the leadership challenges presented by the restructuring.

Allen began the meeting by reflecting on the monumental decision to split the company into three sections, and sell a fourth piece, AT&T Capital Corp.

Converging technology, changing customers needs, an influx of entrenched competitors, internal conflicts and legislative developments all were factors in the decision, Allen said.

In short, it was becoming increasingly clear that the integrated AT&T was a structure for the past, not for the future.

"Listening to what employees have to say is almost as important as keeping them informed."

—Bob Allen

Shared Accountability

Turning to the impact of the decision on people, Allen stressed that although the company will become three separate businesses, people resources will be managed across the entire enterprise.

"We will share accountability for any force imbalance that might develop in the coming months," he said. "If a surplus situation arises, it won't be the responsibility of the individual entities we're creating. It will be ours—shared as a leadership team. We owe that to our people."

The foundation for this people support comes from a set of 15 general restructuring implementation principles—characterized as "cast in stone"—that Allen outlined during the meeting (see "Implementation Principles," this page).

Allen gave special emphasis to the principles covering people issues and noted that as a group, the leadership of the business would be held accountable for communicating during the transition.

"That takes many forms," he said. "At the least, it means returning phone calls—no matter which side of the house they come from. It also means listening. Listening to what employees have to say is almost as important as keeping them informed. The leaders I need for the job ahead will be able to do both."

Retain Customer Focus

Allen also reminded gathered leaders not to lose sight of customer needs during the transition. "First, and foremost, we're here to serve customers," he said. "Indeed, our commitment to customers should be our guiding principle in everything we do. Customers pay the bills. When they win, we win."

Allen charged the leadership

—*See AT&T, page 6*

RESTRUCTURING GUIDELINES

Implementation Principles

1. First, and foremost, we're here to serve customers. Indeed, our commitment to customers should be our guiding principle in everything we do.

2. All contracts and commitments—whether internal or external—will be fulfilled.

3. All financial commitments will be met.

4. Globalization will remain a top priority.

In terms of decision-making:

5. Decisions will be made in the overall best interests of AT&T's current shareowners.

6. The transition Steering Committee will resolve significant corporate conflicts—not by negotiation, but on the basis of the best facts and judgment that can be applied on behalf of the current shareholders.

7. Decisions will be made prudently and in real time, based on best-available information.

8. Decisions will be made mindful of simplicity, speed and ease of execution.

In terms of people and their jobs:

9. Transition teams for the businesses will have the primary responsibility for determining how many people they'll need. They'll work with the leaders of the corporate functions regarding decisions about filling jobs in specific businesses.

10. In general, people will follow their work.

11. Most dedicated functions will align with internal customers. Shared functions will be divided up, but some sharing might continue for a short period after the transition.

12. Surplus employees will have access to job opportunities across the enterprise, and every effort will be made to place them.

In terms of the way we treat each other during the restructuring process, and afterwards:

13. Our behavior and decisions will be guided by the values of Our Common Bond.

14. We will restructure the business as a team.

15. We will communicate—openly and frequently.

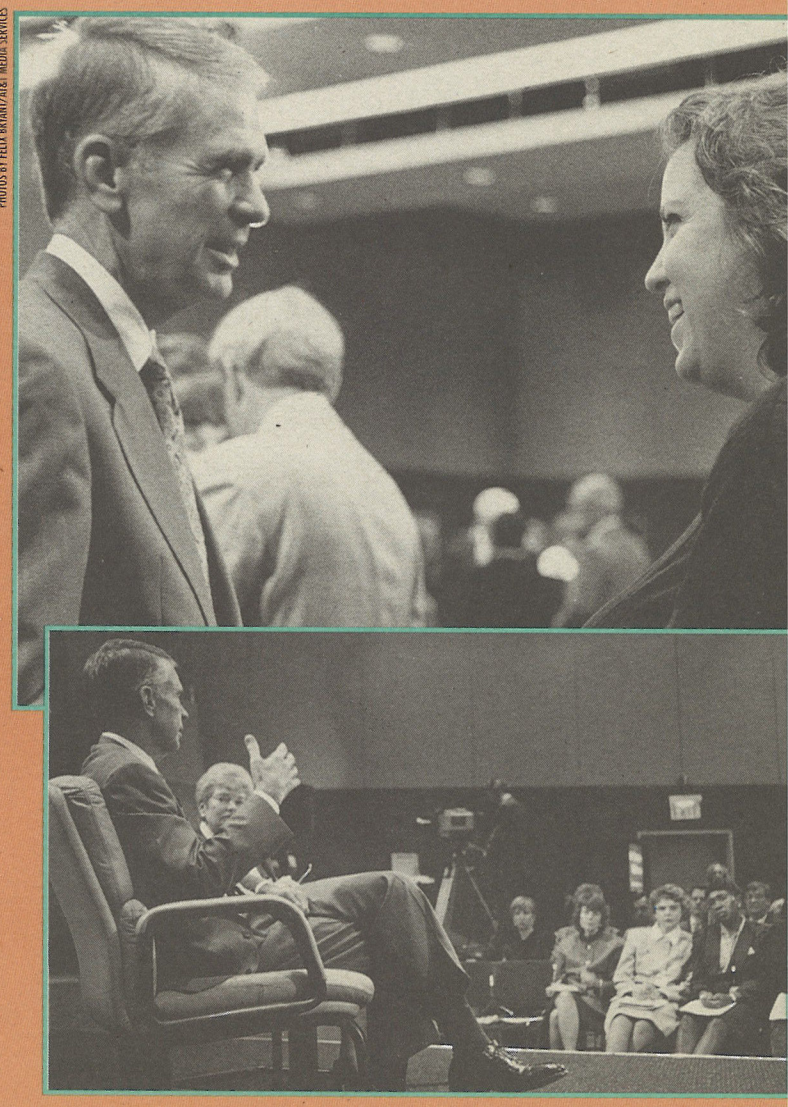
Questions coming up repeatedly during these first few weeks since the restructuring announcement center on two of the implementation principles: most people following their work and caring for surplus employees during the transition.

"It's true," Hal Burlingame, senior vice president, Human Resources said, "the majority of AT&T's people will be doing on January 1, 1997 the same jobs they're doing today. Still, significant numbers of employees will be affected directly if they're in one of the functional support organizations or if they're doing work in a variety of areas that are in a business unit today, but that might be redesigned as the entities complete their overall design and staffing requirements.

"AT&T will continue doing its best to place employees who become surplus," Burlingame added. "They will receive preferential access to job opportunities across the entities based on their skills, performance, capabilities and individual flexibility. The reality is, however, that some will not find jobs within the business. While we don't know how many this might be, we are reassessing our outplacement activities and other support processes to ensure that any surplus employees who do not find internal opportunities are well positioned for new careers outside the company."

RESTRU

PHOTOS BY FELIX BRYANT/AT&T MEDIA SERVICES



Fairness, Timely Actions Cited as Key Goals

continued from page 1

president, Human Resources, said there are no plans to offer an overall exit package to slim down the payroll.

"We will use the tools that we already have to incent people in organizations where there are surplus situations to, first of all, leave the company voluntarily," he said. "But, on that point, we do not have plans to offer some companywide magic package geared to encourage large numbers of people to leave."

Employees at risk will receive preferential access to open jobs across all three entities, subject to their skills and personal flexibility.

"Our overall approach to staffing and redeployment in general will be to identify and recruit the best-skilled and most competitive people into the new entities—regardless of wherever they might sit right now," Burlingame said.

"Once the redeployment is finished, we do expect there will be some at-risk employees who will have to leave the business," Burlingame said.

"The driving force behind this restructuring is strategic focus and business growth."

—Bob Allen

Those employees will receive special support such as new career directions and options, along with financial support and counseling that respects their contributions to the company.

Burlingame said that, despite what employees may have read or heard, no one knows the who, how many and where regarding employee surplus.

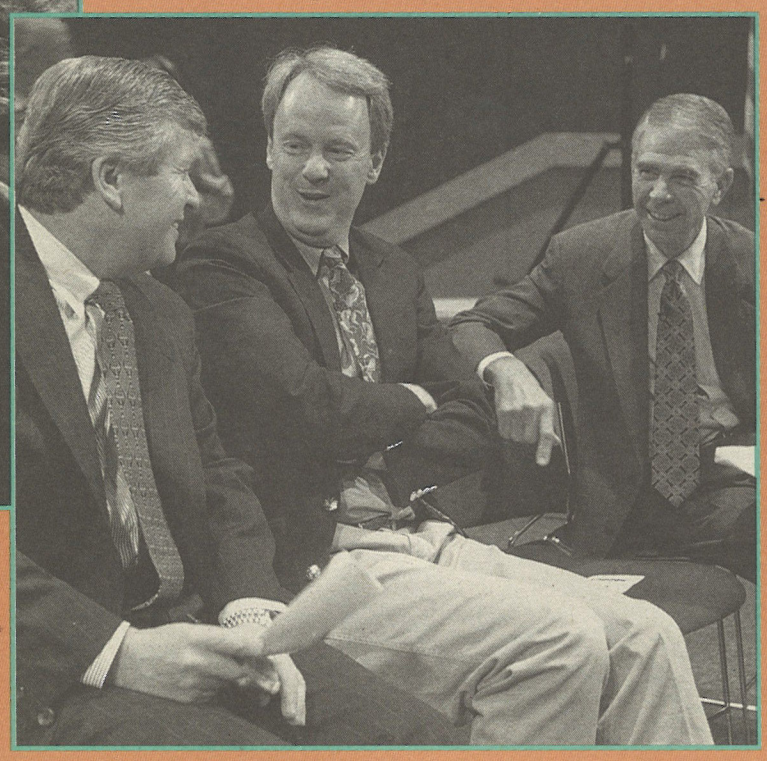
In response to an employee question, Allen said he would anticipate that most separations deemed necessary will occur before the official breakup at the end of 1996.

Regarding corporate functions that are now centralized, Allen said those resources will be allocated among the three entities according to their needs, skills required and other criteria. He noted that if there are resources left over when the allocation is done, the stated principles for dealing with surplus would be applied.

As part of his answer to another employee question, Allen said the partitioning of now-centralized functions would not be a rigid procedure. "We're not going to take every function that exists in AT&T today, by name or by description, and say, 'Okay, each of the three companies has to have that,' " Allen said. "That's going to be a matter of determination based on each of these companies' leadership teams

CTURING

Left: **Many employees personally relayed their concerns and ideas to Bob Allen after the broadcast.**
Bottom left: **"Investors are confident that AT&T people can take advantage of the opportunities we're creating," Allen told employees.**
Below: **Senior executives Alex Mandl, left, and John Zeglis, center, are among the company leaders who, with Allen, will guide the transition.**



and their strategy and their operation plan and so forth," he added. "I wouldn't want to mislead anybody on that score."

The chairman told employees to keep customer satisfaction uppermost in their minds to ensure the new companies are on solid footing with their customers going forward.

Allen said the recent run-up in AT&T stock, including an all-time high, reflected investor belief that the new companies will have a bright future.

"Investors are confident that the people of AT&T can take advantage of the opportunities we're creating," Allen said. AT&T is creating three powerful new companies with enormous opportunities, not just simply breaking up, he added.

" ... Downsizing is not ... what this change is all about," Allen told employees. "The driving force behind this restructuring is strategic focus and business growth."

The restructuring will be evenhanded in preparing each new company to compete effectively in their respective markets, Allen maintained.

Allen said that, even though three distinct companies will emerge, the goal is to proceed in the spirit of close cooperation and concern for each other.

"This is AT&T, not Dodge City," Allen said. "Gunslingers going their separate ways are not welcome during the transition or after. We're going to approach this restructuring as a team and we're going to support each other as we do it."

Regarding other issues related to the breakup, employees were told that:

- **Each individual company** will determine whether the current business-unit structure will exist after the breakup.
- **The leadership structure** of the new companies will be determined by Bob Allen and the board of directors. The company hopes to make those decisions soon.
- **The company will not waver** in commitments it has made, including environmental and safety issues, Workplace of the Future initiatives and current labor contracts.
- **The company will remain committed** to its 1995 and 1996 financial targets.
- **Globalization will continue** as a priority now and after the restructuring. ■

RULES OF THE ROAD

To establish a general framework for the ongoing restructuring, AT&T has set forth a number of guiding principles:

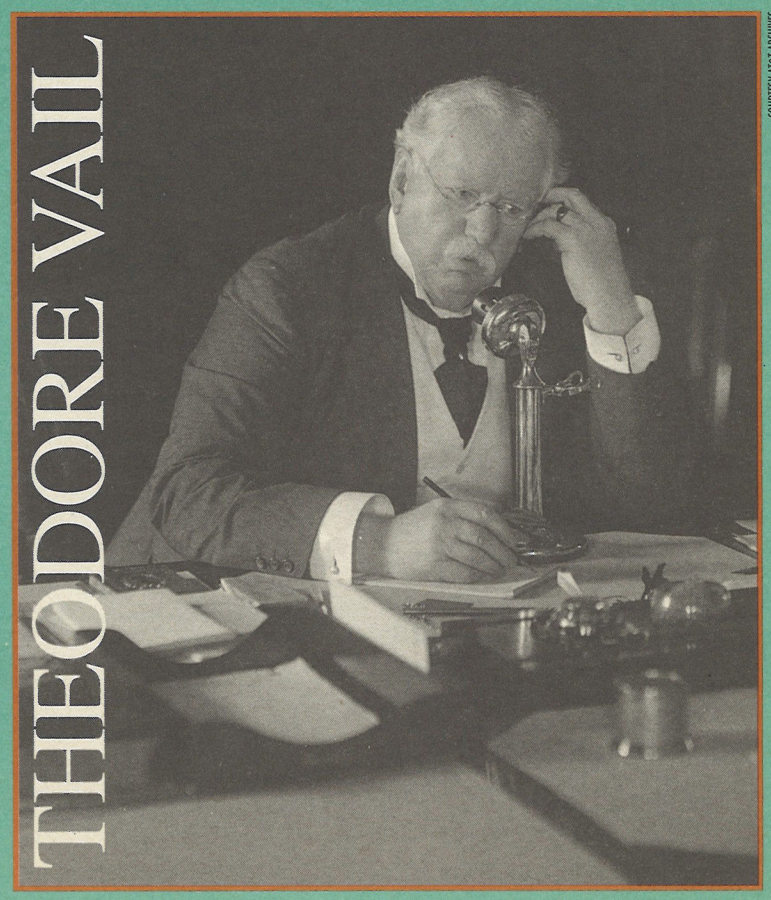
- **During the transition, our values and behaviors will continue to be driven by Our Common Bond: Respect for Individuals, Dedication to Customers, Highest Standards of Integrity, Innovation and Teamwork.**
- **As information is known, it will be communicated positively and constructively through leaders who are visible and accessible.**
- **Leaders will be accountable for demonstrating concern and support for their people throughout the transition to the new entities.**
- **Enhancing diversity of the workforce in all three new entities will remain a priority, in order to enhance the competitive abilities of each business.**
- **Success of this effort will require high levels of cooperation and partnership across all organizations.**

VAIL'S VALIANT VISION

Remembering AT&T's Bold First President

By Suzanne Sidhu

"We now see this restructuring as the next logical step in AT&T's journey since divestiture," said Chairman Bob Allen Sept. 20 when he announced the plan to reinvent AT&T by dividing it into three separate companies.



COURTESY AT&T ARCHIVES

ALTHOUGH THE ROAD to reinvention seems daunting, imagine the much tougher road AT&T and its employees traveled in the late 19th century: inventing itself in the first place.

Service for All

That job was enthusiastically tackled by AT&T's first president, Theodore Vail. This year marks both the 150th anniversary of Vail's birth and the 75th anniversary of his death. In 1878, when he was hired as the first administrator of the Bell Telephone Company, Vail turned his prodigious management skills to the job of extending telephone service to every backwoods farm, Main Street diner and town office in America.

Vail envisioned every person having access to a telephone, and all telephones having quick access to each other. Guided by this vision, the company flourished. But challenges were plentiful: AT&T had to fight 600 lawsuits to protect its patents; it had to meet and beat the competition, including giants like Thomas Edison and Western Union; it had to solve technical problems that sprung up as each wire connected each new customer; and it had to finance and shape an organization to serve a growing country.

That organization evolved as times changed. The original patent association of Bell, Watson, and their colleagues was known as the Bell Telephone Company, organized in 1878. But the very next year it joined with the New England Telephone Company to form the National Bell Telephone Company. And two years later, that conglomeration consolidated with Western Union properties to become The American Bell Telephone Company.

So the early years of the business were marked by constant organizational evolution. Its structure changed not just to assure mere survival, but to make the very best of economic, social and political situations.

Were Vail to stop into AT&T offices today, he might scratch his whiskers, shake his head and smile at the unchanging nature of the telecommunications business.

In 1887, Vail resigned over a dispute with the company's financiers. He was vindicated 20 years later, in 1907, when, at age 62, he was called back to reorganize and re-invigorate the company. For 13 years, until his death in 1920, he continued that work.

A Plan for the Future

Were Vail to stop into AT&T offices today, he might scratch his whiskers, shake his head and smile at the unchanging nature of the telecommunications business. The company still faces regulatory battles, stiff competition, knotty financial questions, and decisions about technology and reorganization. Indeed, what Vail would see is a company set on making, in Chairman Bob Allen's words, "its business more valuable to shareowners, even more responsive to customers, and better able to focus on growth opportunities in individual markets."

Speaking about "trivestiture" at the recent employee broadcast, Allen said the plan would create less complex and more nimble structures, allowing faster decisions, faster delivery, and closer focus on customers. The plan, he said, is a "way to move full speed ahead into the future."

That future includes a world of telecommunications services and products to develop and deploy that would astonish even Vail's broad imagination. However, always interested in pushing frontiers, he would no doubt approve of any plan to put those services and products into people's hands as quickly and efficiently as possible.

His is a legacy of "full speed ahead." ■

A History Rich With Varied Ventures

Former AT&T Companies Often Achieve Success

By Ed Lopez

WHAT HAPPENS TO COMPANIES THAT LEAVE THE AT&T fold and strike out on their own? Often, the record shows they go on to achieve solid success in their own right. The seven regional Bell Operating Companies are only the most recent examples.

Through the years, AT&T has divested, sold or spun off businesses that, for regulatory, strategic or other considerations, were no longer appropriate for its portfolio.

Some of the more colorful ventures relinquished by AT&T were in the fledgling radio and motion picture industries, but there are other highlights:

The sale in 1925 of International Western Electric, the equipment-manufacturing operation that was a global concern starting in the late 1800s. Except for Canadian interests, the foreign operations were sold to International Telephone and Telegraph (ITT). The ITT sale also included AT&T's majority ownership in **Nippon Electric Company,** which AT&T co-founded. It was the main supplier of telephone equipment in Japan.

The 1928 spin-off to employees of Graybar Electric Co. (after Western Electric founders Elisha Gray and Enos Barton). Graybar's roots stemmed from the late 1800s, when Western Electric not only was a manufacturer and supplier to the Bell System, but also ran the world's largest electrical supplies business.

The latter operation sold equipment from Western and other manufacturers, and by 1925 Western was selling such appliances as fans, sewing machines, dishwashers and ranges made by others but which carried the "Western Electric" brand. It rivaled General Electric and Westinghouse as a leading name in appliances. Today Graybar is still owned by its employees and is a successful wholesale distributor of electrical supplies.

The gradual sale of shares in Northern Electric, now Northern Telecom, in which AT&T held a substantial minority interest. Northern Electric was a major telephone equipment manufacturer in Canada. AT&T's interests were sold over several years after a consent decree in 1956.

AT&T's interest in radio was sparked by research in the new medium to provide telephone service, but eventually radio's promise was in broadcasting.

At its infancy, radio had striking similarities to the Internet today: It was a technology new to many and though its future and potential were uncertain, there was a nagging feeling among companies that somehow they had to be part of it.

By 1920, AT&T had three experimental radio stations in New Jersey and New York City, where two years later **WEAF** was offering 15 minutes of airtime for between $40 to $50. Unpaid airtime was filled with entertainment—singing, piano solos, poetry, violin selections—that relied on the local talents of AT&T employees.

Radio took off as broadcasters fine-tuned their programming and AT&T proceeded to expand its radio network. But by 1926, a desire to re-focus the business, patent suits and regulatory implications led to AT&T's sale of its two stations, **WEAF** and **WCAP** in Washington, D.C., to Radio Corp. of America.

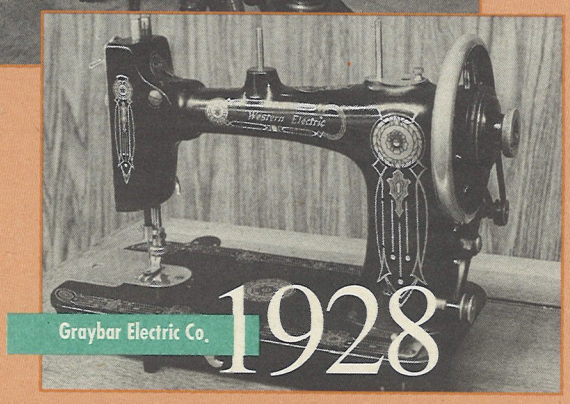
AT&T's pioneering research in sound created a natural pathway into "talking pictures" as the age of silent film began to fade. Bell Labs engineers had invented a system called **Vitaphone** that could synchronize sound with motion pictures and Western Electric began making the machines. The first motion picture using Western Electric equipment was "Don Juan" in 1926, along with "The Jazz Singer" in 1927 with Al Jolson, the first full-scale "talking picture."

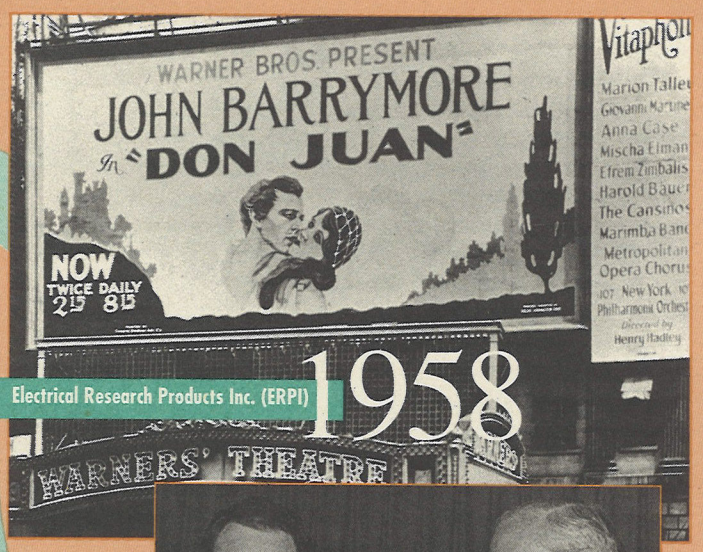
In 1926, Electrical Research Products Inc. (ERPI), was formed as a vehicle for AT&T's foray into the movies. ERPI sold licenses to the major movies studios, gained a big head-start in providing theaters with sound equipment, and even began to actively run a small studio to make educational and industrial films. ERPI and Bell Labs won a series of technical awards from the Academy of Motion Picture Arts and Sciences for AT&T's pioneering work in motion picture sound.

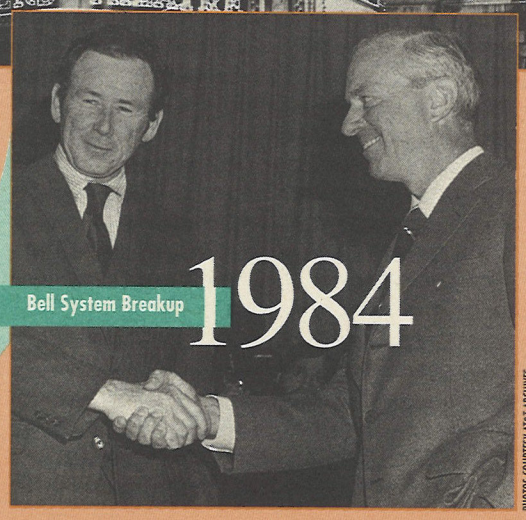
By the mid-1930s, however, a parade of industry and legal jousts caused AT&T to exit from the movie industry almost entirely. AT&T retained the part of ERPI that provided sound services to the movie industry. It later sold this business, which had been renamed **Westrex,** in 1958.

The 1984 spin-off of the Regional Bell Operating Companies, was the most profound change at AT&T prior to the company's most recent restructuring.

The breakup mainly established a demarcation between local and long-distance service, which is now less certain under current public policy debates. The breakup was a boon to investors, who received shares in the various pieces of the old Bell System. ■







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AT&T Leaders Get Roadmap for Future

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of the business with assuming restructuring tasks, and freeing people who serve customers to pursue their jobs with full vigor and enthusiasm.

The theme of supporting people throughout the restructuring also was emphasized by Hal Burlingame, senior vice president, Human Resources. Referring to speculative media reports about potential downsizings, Burlingame said, "There is a much bigger people story that the media so far has overlooked. It's a story about connecting people with new organizations, new jobs and new futures."

Continued Cooperation

Burlingame said that a small transition team had begun work on common practices for staffing, including creation of some "rules of the road."

But following rules and guidelines isn't enough. For example, Burlingame underscored the importance of working against development of an "us vs. them" mentality. "Almost 40 percent of our people lived through divestiture and they remember it well. I'm concerned that too many people are too eager to draw analogies to divestiture."

Some key differences this time: the breakup is voluntary; employees, customers and shareholders think it's a good idea; and the new companies are not likely to compete one day—in fact, these entities are good potential customers of each other.

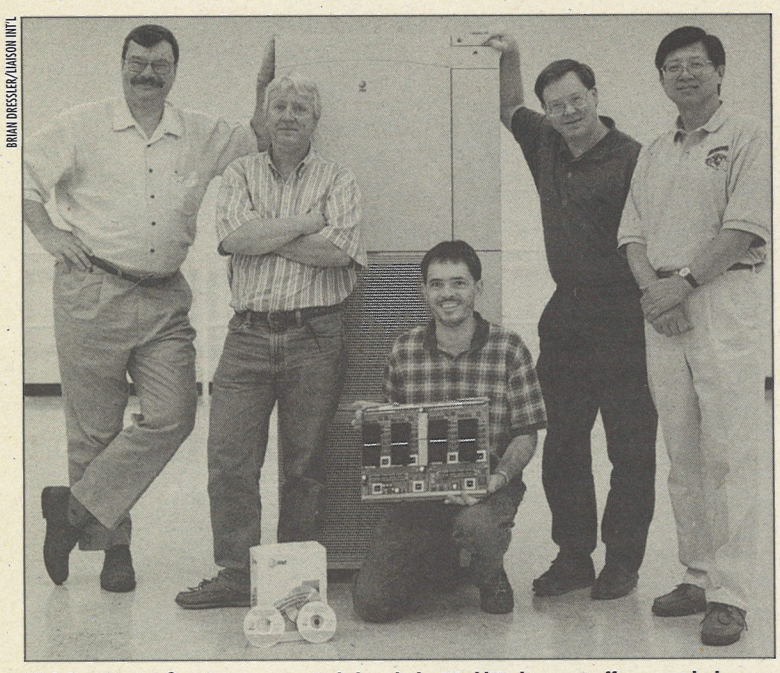
Moving Swiftly

Another topic that received considerable discussion during the meeting was the swiftness with which restructuring work must proceed. Much of the upfront separation work must approach conclusion by January 1996 to meet the Jan. 1, 1997, target date for completing the breakup.

"That means 1996 will be kind of an audition for our three new businesses," Allen said. "It will be a crucial time to show our investors that we can deliver on the value this reorganization promises. The process won't be easy, but it won't lack for good people either."

Before dispatching the assembled leadership, Allen reminded them of the bonds all AT&T people share that will serve them well during the transition. Among them are the 110 years of history employees have in common, that the companies will be future customers and suppliers of each other, and that employees have friendship and respect for each other.

"These bonds will anchor us well," he said, "while also helping build momentum for the bright future ahead." ■



BRIAN DRESSER/LIAISON INT'L

With four Pentium® processors on a single board, the *WorldMark* servers offer unmatched power and versatility at a competitive price. The Columbia, S.C. development team that created the board include, from left, John Levchuk, David Wingo, Perry Vincent, Curt Bisbee and Bob Wang.

GIS's Enterprise Servers Promise To Consume the Competition

BY ANNE WAINSCOTT

FED BY INCREASING POWER and shrinking prices, companies have enjoyed a steady diet of faster, more versatile personal computers and basic client/server computing. However, as businesses climb up the computer food chain to bigger and more powerful systems, affordability and migration challenges have kept many of them from gorging on the sought-after delicacy known as massively parallel processing (MPP).

That's about to change. AT&T Global Information Solutions (GIS), the world's leader in MPP technology, has introduced an enterprise server line that will make mid- to high-end commercial computing accessible to companies of all sizes and tastes. The server line was unveiled in September at the Gartner Group Commercial Parallel Processing Conference in Chicago.

Branded *WorldMark*, the systems offer a combination of affordability, scalability and performance never before seen in the computer industry. They lower the entry price for Teradata-based MPP systems by approximately one-third, making MPP systems affordable to many companies for the first time. The series ranges in price from $50,000 for the low-end symmetrical processing (SMP) system to $660,000 for a basic MPP system.

"We focused on a single goal and found ways to work smarter..."

—John Levchuk

"The WorldMark family is the technical foundation of GIS's current and future systems business from this day forward," said Tom Mays, senior vice president, GIS's Computing and Communications business. "It provides a new foundation for enterprise computing that allows us to strengthen our position as the world leader in commercial MPP technology."

The line supports GIS's core business strength—enterprise computing—and the company's commitment to maintain its leadership position in mission-critical and data warehouse applications. The servers incorporate a common hardware building block across high-end SMP, clustered and MPP systems. That means customers can grow their hardware, database systems and operating systems at their own pace, starting with a four-processor system and expanding it to incorporate up to thousands of processors.

"The use of common hardware and software in the servers offers investment protection across GIS's entire range of servers," said Gene Lee, research manager, International Data Corp., an industry consulting firm. Lee added that WorldMark's introduction will lower GIS's entry point for its data warehousing solution and opens opportunities for the company beyond the *Fortune* 100.

Customers already have responded positively to the announcement. Food Lion Inc., a North Carolina-based supermarket chain, has ordered the WorldMark 5100C server for a data warehouse application.

John Levchuk, who led the WorldMark Series 5000 realization team, credited the server family's successful development to the efforts of engineering and manufacturing employees at GIS plants in Columbia, S.C.; Naperville, Ill.; San Diego and El Segundo, Calif.

"The team was faced with the challenge of bridging three levels of computing with one common system by a time mandate that many people thought was impossible to meet," Levchuk said. "We focused on a single goal and found ways to work smarter, which allowed us to move faster without compromising the integrity or quality of the system." ■

Relief Teams Bring Services and Supplies

continued from page 1

40,000 pounds of assorted goods onto charter airplanes and a ship.

In the meantime, while UCS relief teams helped repair employee homes and NSD technicians worked to restore long-distance service, other business units pitched in to help the business and its employees:

• AT&T Tridom engineers provided the U.S. Army Corps of Engineers with immediate VSAT satellite communications to help coordinate disaster relief efforts.

• AT&T Submarine Systems staff helped set up calling centers to allow the community to send more than 10,000 free messages to loved ones around the world. In addition, the Charles Brown cable ship provided lodging for AT&T relief crews.

• The Caribbean/Latin America Region sent an emergency coordinator to work on various projects and set up groups to support island teams.

• AT&T of Puerto Rico provided dialtone from its PBX to handle the calling center, as well as cellular telephones and walkie talkies. It processed 2,500 Virgin Islands outbound messages, and even donated cash to Virgin Islands employees.

• Health Affairs sent Employee Assistance Program counselors and a medical doctor for employee and family support.

• Government Markets provided satellite links for the government emergency agencies.

"The spirit of teamwork has been demonstrated by all AT&T employees who came together in response to this disaster," said Barry Florence, president, AT&T VI. "We should all feel proud." ■

GLOBAL VIEW

CANADA

ONTARIO—AT&T CANADA and three Canadian banks have agreed to invest new capital in Unitel and reschedule Unitel's existing debt. AT&T, Toronto Dominian Bank, The Royal Bank of Canada and the Bank of Nova Scotia would invest up to $250 million in exchange for equity in the company. AT&T Canada has agreed in principle to provide certain management and consulting services to Unitel under long-term contracts, including use of the AT&T brand name. In addition, Unitel's recent streamlining efforts, combined with this loan rescheduling agreement, will ensure Unitel's long-term viability and strengthen its capacity to continue providing leading-edge telecommunications services.

FRANCE

PARIS—BUSINESS COMMUNICATIONS SERVICES will provide European business customers with services to access and use the Internet as a tool for gaining business advantage. As of Oct. 1, AT&T Internet Solutions is covering the full spectrum of business needs from providing leased-line connections to the Internet, to establishing and managing a World Wide Web site, to full support for electronic commerce and publishing. AT&T Internet Solutions is an extension of AT&T's entry into the Internet market that began with its announcement of AT&T WorldNet Services in the United States in August. Additional services will be announced and made available in Europe as the global Internet market develops.

GHANA

ACCRA—AT&T has signed a $4.8 million contract with Celltel Ltd. to provide cellular management services in Ghana, West Africa. Under the agreement, AT&T would provide three on-site AT&T directors in Business Operations, Customer Service Positioning and Network Planning and Operations to assist in running Celltel's cellular business in Ghana. The AT&T-Celltel agreement is the first of its kind involving AT&T in Africa.

INDONESIA

JAKARTA—Indonesia's first ISDN (Integrated Services Digital Network) service recently was inaugurated by Indonesian President Soeharto. ISDN is a state-of-the-art technology that will revolutionize telecommunications in Indonesia, and support the country's development into a major business hub for the region. The service was installed by AT&T Network Systems Indonesia, a joint venture with PT Citra Telekomunikasi Indonesia, established in 1993 to manufacture, assemble and test advanced telecommunications equipment. The plant is located in Cibitung, West Java.

ISRAEL

TEL AVIV—WORLDPARTNERS, an alliance of global communications companies that offers seamless voice and data services to multinational businesses, will offer *WorldSource* Services in Israel through Bezeq Israel Telecom, Israel's state-owned telecommunications service provider. Bezeq is the first carrier in the Middle East and the twelfth in the world to become a WorldPartners member. WorldPartners was launched by AT&T, KDD of Japan and Singapore Telecom in 1993. Other members include Unisource, Hongkong Telecom International, Telstra of Australia, Telecom New Zealand International, Philippines Long Distance Company, AT&T-United Kingdom, Korea Telecom and Unitel of Canada.

PERU

LIMA—NETWORK SYSTEMS GROUP (NSG) has completed installation of a cellular digital packet data (CDPD) system in Peru, the first such installation in Latin America. The CDPD system is an extension of NSG's $30 million contract with Tele2000, one of Peru's wireless services providers, to install a cellular voice communications system that will serve 50,000 subscribers by 1996. CDPD is a way of transmitting high-speed bursts of data over a digital wireless network. NSG's system includes mobile database stations, a mobile data intermediate system, and associated system software. The system is integrated with the AT&T *Autoplex* System 1000 and Series II cell sites, which are currently being used in Tele2000's cellular network.

KRISTEN PETERSON

Helen Dunne, a computer science student, was one of the 234 Inroads interns who worked throughout AT&T this summer.

MAKING INROADS

National Organization Celebrates 25-Year Partnership with AT&T

BY TAWNJA CLEVELAND

AMONG THE HUNDREDS OF trees spread throughout Chicago's Grant Park, one stands with a special meaning. It represents a group of 25 students—including some who worked at AT&T—who in 1970 were the first to join Inroads, an organization that places talented minority students in corporate internships and prepares them for corporate and community leadership.

The tree planting was one of many events that marked Inroads' 25th anniversary in July. In another ceremony during the five-day celebration, Inroads honored AT&T for 25 years of "extraordinary and consistent sponsorship." The company received an award for being a charter sponsor and was one of two corporations inducted into the Inroads Corporate Hall of Fame.

"The Hall of Fame is the highest award Inroads bestows," said Charles Story, president and chief executive officer of the non-profit organization. Retired Human Resources Vice President Bob Gaynor also was inducted this year for his contribution to the growth of Inroads. Gaynor was a founding member of the Inroads board of directors in Kansas City, Mo., and Northern New Jersey, and was vice chairman of the national board until 1993.

Building a Win-Win Partnership

What began with 25 students, one office and 17 sponsoring companies has grown to include more than 6,000 students, 46 affiliates and almost 900 corporate sponsors. From the beginning, AT&T made a commitment to support Inroads through grants, student training and intern sponsorship. It is one among many internship programs AT&T supports on a local and national level.

In recent years, the commitment to Inroads has become stronger than ever. The company has sponsored more than 100 interns every year for the past seven years. And nine times in the last decade, AT&T has been the largest sponsor of interns—138 nationwide.

Bill Moore, AT&T national account manager for Inroads, Morristown, N.J., says there is a simple reason for participating in the program. "Inroads' strategy matches AT&T's strategy of recruiting, training and developing the very best employees," he says. "At the same time, Inroads students are a critical element to our diversity strategy."

And everyone wins. According to Hal Burlingame, senior vice president, Human Resources, "When we invest heavily in the personal growth of Inroads students, they, in turn, give back to us their new ideas, their enthusiasm, their talent and the rich diversity of their backgrounds."

Not a Typical Internship

The Inroads process is not easy. Students must maintain a 3.0 grade-point average. In the summer, when many students spend Saturdays relaxing, Inroaders attend training sessions that cover management skills, effective communications, business sophistication and community involvement—all of which prepare them for corporate life. Students usually spend two to four summers interning at a sponsoring company. They work with mentors and supervisors to design a career development plan and to foster personal growth.

Dick Maybury, national vice president, Global Business Communications Systems, and Jim Croll, vice president, Network Sales, Business Communications Services, Lisle, Ill., are among many employees personally involved in sponsoring and mentoring interns. "It's a tremendous joy to work with the interns and watch them grow and expand the boundaries of what they consider possible for their lives," says Maybury. "They're truly among the brightest and best this country has to offer." Maybury and Croll received Inroads Human Resource Quality Awards last year for helping to reinforce the Inroads-AT&T partnership.

Helen Dunne, an intern at Global Information Solutions, St. Louis, agrees that she has gained valuable experience through Inroads. "I learn so much more on my internship than I do at school," says Dunne, a computer science major at St. Louis University.

Continued Growth for the Future

The success of Inroads interns at AT&T relies on the commitment of supervisors and mentors. "They provide interns with crucial guidance and knowledge that often involves unwritten information about corporate culture and corporate success," Moore says. "We need effective mentors to ensure the success of our interns and, ultimately, to fulfill our commitment."

For more information about Inroads internships or how to become a sponsor or mentor, contact Bill Moore, 201-898-8440, attmail!ernpso1!moore. ■

American Red Cross Selects GIS For Blood Information Network

BY ANNE WAINSCOTT

TO A HOSPITAL, A SAFE, reliable blood supply can mean the difference between life and death for the patients in its care.

AT&T Global Information Solutions (GIS) is safeguarding that precious lifeline by providing a secure, high-speed blood information network to the nation's largest blood collector and distributor—the American Red Cross.

The network, BioNet, will link all Red Cross Biomedical Services regions nationwide. Blood collection sites will send data via computer to nine of the Red Cross's blood-testing centers, which will be linked to a central system in Washington, D.C. Even remote sites will be able to instantly share information about donors, blood quantity and blood types in stock.

"We expect BioNet to be the benchmark in the blood banking industry," said Tom Woteki, Red Cross vice president, Biomedical Information Systems and CIO, Biomedical Services.

GIS is developing the system with Cabletron Systems Inc. and Cisco Systems Inc. The contract's value is expected to be approximately $30 million.

A multilayered approach to network security provides the Red Cross with the confidence that its network is secure and with the flexibility to monitor and manage the network easily. For example, the design permits any authorized user of the network access to information no matter where it resides. Security for dial-in access was provided via AT&T's *InterSpan* SecurID Card with additional levels of security supplied at the server level.

GIS was the unanimous choice of the Red Cross selection team. "We chose AT&T to design this new infrastructure because it is the world's networking leader," Woteki said. "We need the most advanced and reliable network for such a significant project."

"The differentiator was our ability to develop and deliver an end-to-end integrated networking solution," said Mark Dudderar, national account manager, GIS. "Overall, we represented a single cohesive team to the American Red Cross. The team included several business units and outside partners—all with one common goal—and the customer recognized this." ■

AT&T NEWS

Volume 2, Issue 10
October 11, 1995

Published by the Public Relations & Employee Information Division.

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